

IRS News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroom

Public Contact: 800.829.1040

IRS Rebuts Those Making Frivolous Arguments on Paying Taxes

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WASHINGTON — The Internal Revenue Service today issued guidance describing and rebutting frivolous arguments taxpayers should avoid when filing their tax returns.

“Every filing season, thousands of taxpayers hear groundless theories suggesting that they don’t have to pay taxes or file returns,” said IRS Commissioner Mark W. Everson. “We want people to know the truth about these frivolous arguments: they don’t work.”

IRS Notice 2005-30 describes 23 frivolous arguments that taxpayers should avoid when filing their returns. Five revenue rulings issued in conjunction with the notice address specific frivolous claims often made to the IRS. These include arguments that the income tax is unconstitutional, that taxes may be withheld as a protest against government programs and arguments that taxpayers may obtain a refund of all Social Security taxes paid by waiving their right to Social Security benefits. The revenue rulings emphasize the adverse consequences to taxpayers who fail to file or fail to pay taxes based on an erroneous belief in any of these frivolous arguments.

In addition, the IRS has updated “The Truth About Frivolous Tax Arguments,” a 56-page document addressing false arguments about the legality of not paying taxes or filing returns. The updated document includes citations from 13 cases decided by the courts in 2004 and responds to additional arguments, making a total of 39 frivolous contentions that are addressed. This past year, the courts have not only rebuked these arguments numerous times, but also have imposed thousands of dollars in fines on taxpayers or their attorneys for pursuing frivolous cases.

“The courts have consistently rejected these arguments and imposed substantial penalties on those taking these unsupportable positions,” said IRS Chief Counsel Donald L. Korb. “Those potentially tempted by these schemes need to realize that they carry a heavy price for both the taxpayers and the promoters.”

The IRS continues to investigate promoters of frivolous arguments and to refer cases to the Department of Justice for criminal prosecution. In addition to tax and interest, taxpayers who file frivolous income tax returns face a \$500 penalty, and may be subject to civil penalties of 20 or 75 percent of the underpaid tax. Those who pursue frivolous tax cases in the courts may face an additional penalty of up to \$25,000.

There are links to the 56-page document from “The Newsroom” section’s “What’s Hot” page, the “Tax Pro News” and the “Topics for Individuals” pages of the IRS Website at IRS.gov.